

**TOWNSHIP OF SEBEWAING
HURON COUNTY, MICHIGAN
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2008**

3212302008 Audit

TOWNSHIP OF SEBEWAING

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INDEPENDENT AUDITOR'S REPORT

Honorable Township Board Members
Township of Sebewaing
Sebewaing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Sebewaing, Huron County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages ii through iii and 19 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Nietzke & Faupel P.C.
NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

July 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Sebewaing Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The following points represent the most significant financial highlights for the year ended March 31, 2008. These points are discussed in further detail in this discussion and analysis.

- The fund balance in the general fund decreased from \$722,433 to \$609,696 during the past year. This is an decrease of \$112,737.
- State Revenue Sharing payments for the year totaled \$76,433. This was \$433 higher than the budgeted amount of \$76,000. For comparison, the State Revenue Sharing payments for fiscal year 2006-07 totaled \$76,183.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows a condensed view of the net assets as of March 31:

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current assets	\$1,257,312	\$1,182,789
Noncurrent assets	<u>707,879</u>	<u>757,239</u>
Total assets	<u>\$1,965,191</u>	<u>\$1,940,028</u>
Current liabilities	\$ 28,030	\$ 47,068
Total liabilities	<u>\$ 28,030</u>	<u>\$ 47,068</u>
Net assets:		
Invested in capital assets	\$ 640,101	\$ 689,191
Unrestricted	<u>1,297,060</u>	<u>1,203,769</u>
Total net assets	<u>\$1,937,161</u>	<u>\$1,892,960</u>

Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, ended the fiscal year with a balance of \$1,297,060. This is approximately 67% of the net assets for governmental activities.

The following table shows the changes of the net assets during the years ended March 31:

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenue:		
Program revenues:		
Charges for services	\$ 72,515	\$ 133,143
Operating grants & contributions	14,661	5,723
Capital grants & contributions	7,148	6,842
General revenues:		
Property taxes	572,256	547,646
State shared revenues	76,433	76,183
Unrestricted investment earnings	39,871	44,397
Miscellaneous	73,164	12,210
Total revenues	<u>856,049</u>	<u>826,143</u>
Expenses:		
General government	163,798	169,329
Public safety	191,431	187,007
Highways & public improvements	353,028	356,067
Library	103,591	92,998
Total expenses	<u>811,848</u>	<u>805,401</u>
Change in net assets	44,200	20,742
Net assets - Beginning	<u>1,892,960</u>	<u>1,872,217</u>
Net assets - Ending	<u>\$1,937,161</u>	<u>\$1,892,960</u>

Capital Assets

As of March 31, 2008, Sebewaing Township had a total of \$707,879 (net of depreciation) invested in capital assets including land, building, and equipment.

Economic Factors and Next Years Budgets

The fiscal year budget for 2008-09 is at \$525,370, which is \$275,705 less than the 2007-08 fiscal year of \$801,075. In comparison, the road fund had projects totaling \$333,300 for the fiscal year 2007-08 and the budget for 2008-09 road projects planned and budgeted amount to \$58,300.

The original Master Plan for Sebewaing Township was adopted in 1985. It is mandated that Master Plans be updated every 5 years. State law requires that a zoning ordinance be based on an adopted Master Plan. Sebewaing Township was successful in securing a 50-50 grant from The Michigan Coastal Management Program.

The Village of Sebewaing is in the process of incorporating to a city. A change from Village to City would have a major effect on Township operations such as a loss in General Fund revenue, negotiating contracts with the city for Emergency Services and Library, and division of Township Assets.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Willet Osechger, Supervisor, or Kurt Bach, Township Clerk, P.O. Box 687, Sebewaing, MI 48759.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF SEBEWAING
STATEMENT OF NET ASSETS
MARCH 31, 2008

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Current assets:	
Cash	\$ 1,145,714
Taxes receivable	23,799
Accounts receivable	88,845
Allowance for doubtful accounts	(27,918)
Prepaid insurance	26,873
Total current assets	<u>1,257,312</u>
Noncurrent assets:	
Investment in Sebewaing Harbor Commission	67,778
Nondepreciated assets	25,984
Capital assets	1,606,902
Less accumulated depreciation	<u>(992,785)</u>
Total noncurrent assets	707,879
TOTAL ASSETS	<u><u>1,965,191</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	9,467
Bank overdraft	18,563
TOTAL LIABILITIES	<u><u>28,030</u></u>
<u>NET ASSETS</u>	
Invested in capital assets	640,101
Unrestricted	1,297,060
TOTAL NET ASSETS	<u><u>\$ 1,937,161</u></u>

The accompanying notes are an integral
part of the financial statements.

TOWNSHIP OF SEBEWAING

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2008

	<u>PROGRAM REVENUE</u>		<u>NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS</u>	
	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u> <u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u> <u>TOTALS</u>
<u>EXPENSES</u>				
<u>Governmental Activities</u>				
General government	\$ 163,798		\$ (163,798)	\$ (163,798)
Public Safety	191,431	\$ 3,600	(115,316)	(115,316)
Highways and public improvements	353,028		(353,028)	(353,028)
Library	103,591	\$ 14,661	(85,382)	(85,382)
Total Governmental Activities	\$ 811,848	\$ 7,148	(717,525)	(717,525)
<u>General Revenue:</u>				
Property taxes			572,256	572,256
State shared revenues			76,433	76,433
Unrestricted investment earnings			39,871	39,871
Miscellaneous			73,164	73,164
Total general revenues			761,724	761,724
Change in net assets			44,200	44,200
Net assets - beginning			1,892,960	1,892,960
Net assets - ending			\$ 1,937,161	\$ 1,937,161

TOWNSHIP OF SEBEWAING
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2008

	GENERAL	EMERGENCY SERVICES	LIBRARY	FIRE EQUIPMENT SINKING	ROAD	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash	\$ 549,323	\$ 70,351	\$ 80,252	\$ 171,014	\$ 274,773	\$ 1,145,714
Taxes receivable	4,181	3,392	1,706	852	13,667	23,799
Accounts receivable	50,000	38,845				88,845
Allowance for doubtful accounts		(27,918)				(27,918)
Prepaid insurance	10,404	13,622	2,847			26,873
TOTAL ASSETS	<u>\$ 613,910</u>	<u>\$ 98,292</u>	<u>\$ 84,805</u>	<u>\$ 171,866</u>	<u>\$ 288,440</u>	<u>\$ 1,257,312</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts payable	\$ 4,214	\$ 3,290	\$ 1,964			\$ 9,467
Bank overdraft			18,563			18,563
TOTAL LIABILITIES	<u>4,214</u>	<u>3,290</u>	<u>20,527</u>			<u>28,030</u>
FUND EQUITY:						
Unreserved	609,696	95,002	64,277	\$ 171,866	\$ 288,440	1,229,282
TOTAL FUND EQUITY	<u>609,696</u>	<u>95,002</u>	<u>64,277</u>	<u>171,866</u>	<u>288,440</u>	<u>1,229,282</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 613,910</u>	<u>\$ 98,292</u>	<u>\$ 84,805</u>	<u>\$ 171,866</u>	<u>\$ 288,440</u>	<u>\$ 1,257,312</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF SEBEWAING

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2008**

Total governmental fund balances	\$ 1,229,282
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,632,886 less the accumulated depreciation of \$992,785.	640,102
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Investment in Sebewaing Harbor Commission	67,778
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Net assets - governmental activities	<u>\$ 1,937,161</u>
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TOWNSHIP OF SEBEWAING
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	<u>GENERAL</u>	<u>EMERGENCY SERVICES</u>	<u>LIBRARY</u>	<u>FIRE EQUIPMENT SINKING</u>	<u>ROAD</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:						
Taxes	\$ 104,860	\$ 80,831	\$ 40,636	\$ 20,297	\$ 325,632	\$ 572,256
Intergovernmental	76,433	3,600	3,548			83,581
Fines			15,440			15,440
Charges for services		72,515				72,515
Miscellaneous	60,031	1,912	46,423	202	3,689	112,257
TOTAL REVENUE	<u>241,323</u>	<u>158,858</u>	<u>106,047</u>	<u>20,499</u>	<u>329,321</u>	<u>856,048</u>
EXPENDITURES:						
Township board	4,722					4,722
Supervisor	11,226					11,226
Elections	1,668					1,668
Assessor	11,402					11,402
Clerk	44,630					44,630
Board of review	1,142					1,142
Board of appeals	146					146
Treasurer	12,339					12,339
Township hall and grounds	12,789					12,789
Drains at large	1,438					1,438
Zoning administrator	13,338					13,338
Airport	15,643	142,533	92,113			15,643
Emergency services						142,533
Library						92,113
Fire equipment sinking				300		300
Roads					352,458	352,458
Capital outlay	18,576	11,088	9,935			39,599
TOTAL EXPENDITURES	<u>149,061</u>	<u>153,621</u>	<u>102,048</u>	<u>300</u>	<u>352,458</u>	<u>757,488</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>92,263</u>	<u>5,236</u>	<u>3,999</u>	<u>20,199</u>	<u>(23,138)</u>	<u>98,560</u>
OTHER FINANCING SOURCES (USES):						
Operating transfer in						
Operating transfer out	(200,000)				200,000	200,000
Contribution to other gov't unit	(5,000)					(5,000)
TOTAL OTHER FINANCING (USES)	<u>(205,000)</u>				<u>200,000</u>	<u>(5,000)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(112,737)</u>	<u>5,236</u>	<u>3,999</u>	<u>20,199</u>	<u>176,862</u>	<u>93,560</u>
FUND BALANCE - APRIL 1	722,433	89,766	60,278	151,667	111,578	1,135,722
FUND BALANCE - MARCH 31	<u>\$ 609,696</u>	<u>\$ 95,002</u>	<u>\$ 64,277</u>	<u>\$ 171,866</u>	<u>\$ 288,440</u>	<u>\$ 1,229,282</u>

TOWNSHIP OF SEBEWAING

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2008

Net change in fund balances - governmental funds	\$ 93,560
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which
depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 32,657	
Depreciation expense	<u>(81,747)</u>	(49,090)

Investment in Sebewaing Harbor Commission	5,000
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Equity loss of Sebewaing Harbor Commission	(5,270)
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Change in net assets of governmental activities	<u>\$ 44,200</u>
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TOWNSHIP OF SEBEWAING
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Township Operations:

The Township is located in Huron County, Michigan, and has approximately 2,800 residents. It is governed by a five person elected board and provides the following services to its residents: fire protection, ambulance service, highways and streets, library and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used in the Township are discussed below.

Reporting Entity:

In evaluating how to define the Township of Sebewaing for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township of Sebewaing is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township of Sebewaing reporting entity.

Excluded from the reporting entity:

Unionville Sebewaing School District – This potential component unit has a separate elected board and provides educational services to residents of the local area. The School District is excluded from the reporting entity because the Township of Sebewaing does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Sebewaing Harbor Commission – The Township of Sebewaing along with the Village of Sebewaing created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Township of Sebewaing and the Village of Sebewaing along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Township of Sebewaing management has excluded the Harbor Commission from the reporting entity of the Township of Sebewaing. However, because of the financial interest and responsibility the Township of Sebewaing and the Village of Sebewaing equally share for the Harbor Commission, the Harbor Commission is being treated as a joint venture between the Township of

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Sebewaing and the Village of Sebewaing. The investment in the joint venture has been included in the General Fund as a capital outlay and further disclosures related to the investment in the joint venture are included in Note 5.

Government-Wide and Fund Financial Statements:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's general administrative services, public safety, highways and public improvements, and library, are classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements. The Township of Sebewaing currently has no long-term debt.

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Township accounts for the following special revenue funds.

The Emergency Services Fund is a special revenue fund used to account for revenue from charges for service and current property taxes allocated to provide ambulance and fire fighting services to Township residents. The Library Fund is a special revenue fund used to account for revenue from state penal fines and current property taxes allocated to the operation of the Township of Sebewaing Library. The Fire Equipment Sinking Fund is a special revenue fund used to account for current property taxes allocated to purchase fire and ambulance equipment. The Road Fund is a special revenue fund used to account for revenue from current property taxes allocated to provide for maintenance and construction of Township of Sebewaing roads.

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The Township reports no nonmajor fund types:

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at March 31, 2008 consist of property taxes, and billings for ambulance and fire services. Taxes are deemed collectible in full. An allowance for doubtful accounts has been reported for ambulance and fire service receivables.

Capital Assets:

Capital assets, which include property, plant, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7 to 40
Machinery and equipment	3 to 7
Books, videos, and DVD's	5

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2008 was \$81,747. Capital asset acquisitions in the governmental funds totaled \$32,657 for the year ended March 31, 2008. A summary of the Governmental Fund capital assets at March 31, 2008 and 2007 follows:

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

	<u>2008</u>	<u>2007</u>
Land	\$ 25,984	\$ 25,984
Buildings	766,291	751,736
Equipment	840,611	822,509
Less accumulated depreciation	<u>(992,785)</u>	<u>(911,038)</u>
NET GOVERNMENTAL FUND CAPITAL ASSETS	<u>\$640,101</u>	<u>\$689,191</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 25,183
Public safety	45,319
Library	<u>11,245</u>
Total depreciation expense – governmental activities	<u>\$ 81,747</u>

Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGET COMPLIANCE:

The Township of Sebewaing Board follows these procedures in establishing the budgetary data reflected in the financial statements:

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 2 – BUDGET COMPLIANCE: (CONTINUED)

1. In accordance with the Township Act, prior to March 1, the Township of Sebewaing Clerk submits to the Township of Sebewaing Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Township of Sebewaing Board may authorize supplemental appropriations during the year. The budget was amended during the fiscal year.

P. A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Sebewaing expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township of Sebewaing for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2008, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
LIBRARY FUND	\$ 92,900	\$102,048	\$ 9,148
ROAD FUND	333,300	352,458	19,158

NOTE 3 – DETAIL NOTES ON ALL FUNDS:

A. The carrying amount of cash and deposits with financial institutions of the Township of Sebewaing amounted to \$1,127,151 at March 31, 2008. The total bank balance as of the same date was \$1,148,014. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC	\$306,986
Uncollateralized	840,724
Total deposits with financial institutions	1,147,710
Cash on hand	304
Total deposits and cash on hand	<u>\$1,148,014</u>

(CONTINUED)

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)

Included in the total deposits and cash on hand is a money market fund with Cadre Institutional Investors Trust. The details at March 31, 2008 are as follows:

<u>ACCOUNT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>	<u>STANDARD & POOR'S RATING</u>	<u>%</u>
(CIITMM) Money Market Series	\$447,805	0.0027	AAAm	100%
Total fair value	<u>\$447,805</u>			<u>100%</u>

Portfolio weighted average maturity 0.0027

1 day maturity equals 0.0027, one year equals 1.00

All deposits categorized as uncollateralized are the property of the Township of Sebewaing.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2008.

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority. The Township has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Township's deposits and investments are within the authorization as set forth by the Township of Sebewaing. The Township's investment policy does not identify credit risk, custodial credit risk, concentration of credit risk, or interest rate risk.

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)

B. Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2007 tax levy is as follows:

	<u>ASSESSED VALUE</u>	<u>TAXABLE VALUE</u>
Real property-Regular roll	\$85,355,400	\$73,446,869
Personal property-Regular roll	<u>7,484,000</u>	<u>7,484,000</u>
TOTAL	<u>\$92,839,400</u>	<u>\$80,930,869</u>

C. The Township of Sebewaing has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Township of Sebewaing reimburses the State of Michigan for all benefits charged.

NOTE 4 - PENSION PLAN - DEFINED CONTRIBUTION:

The Township of Sebewaing contributed to the Manulife Plan for Governmental Employees, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such participant's account. As established by local ordinance, all elected officials, full-time library employees and ambulance service employees of the Township of Sebewaing must participate in the pension plan from the date they are officially elected or hired to their respective position. Contributions made by the Township of Sebewaing vest immediately. An employee who leaves the employment of the Township of Sebewaing is entitled to his or her contributions made by the Township of Sebewaing if vesting requirements are satisfied. No voluntary contributions are allowed and 100% of the contribution is made by the Township of Sebewaing. As determined by local ordinance, the Township of Sebewaing is required to contribute 7.5% of the employee's gross earnings to the pension plan.

The Township of Sebewaing total current year payroll was \$148,100 and the total current year covered payroll was \$115,456 which includes elected officials, full-time library employees, and ambulance service employees.

During the year, the Township of Sebewaing's required and actual contributions amounted to \$8,659 which was 7.5% of its current-year covered payroll.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township of Sebewaing or its employees.

(CONTINUED)

TOWNSHIP OF SEBEWAING
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 4 – PENSION PLAN – DEFINED CONTRIBUTION: (CONTINUED)

The Manulife Plan held no securities of the Township of Sebewaing or other related parties during the year or as of the close of the fiscal year ended March 31, 2008.

NOTE 5 - INVESTMENT IN JOINT VENTURE:

Currently, the Township of Sebewaing has invested \$67,778 in the Sebewaing Harbor Commission. The Sebewaing Harbor Commission is being treated as a joint venture because the Township of Sebewaing shares equal financial and oversight responsibility with the Village of Sebewaing. The investment in the Sebewaing Harbor Commission is accounted for using the equity method of accounting. The following is a statement of net assets of the Sebewaing Harbor Commission:

	<u>MARCH 31,</u> <u>2008</u>
ASSETS:	
Cash	\$ <u>6,301</u>
TOTAL CURRENT ASSETS	<u>6,301</u>
CAPITAL ASSETS - Land	<u>103,340</u>
OTHER ASSETS:	
Marina lease	75,100
Accumulated amortization	<u>(17,668)</u>
TOTAL OTHER ASSETS	<u>57,432</u>
TOTAL ASSETS	<u>167,073</u>
LIABILITIES:	
Accounts payable	87
Due to Village of Sebewaing	31,210
Deferred Revenue	<u>221</u>
TOTAL LIABILITIES	<u>31,518</u>
NET ASSETS	
Investment in capital assets	103,340
Unrestricted	<u>32,215</u>
TOTAL NET ASSETS	<u>\$135,555</u>

The Village of Sebewaing and the Township of Sebewaing, on an equal basis, formed the Sebewaing Harbor Commission to construct a marina. The Township and Village advanced funds to the Harbor Commission which was to be used for the purchase of land at the site of the marina.

TOWNSHIP OF SEBEWAING

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 6 - RISK MANAGEMENT:

The Township of Sebewaing, Huron County, Michigan participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$3,822,601 for real and personal property losses and \$5 million for liability losses. The Township of Sebewaing, Huron County, Michigan is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Worker's Compensation:

The Township of Sebewaing, Huron County, Michigan, participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Medical Insurance:

The Township of Sebewaing purchased commercial insurance coverage for medical insurance for the head librarian.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes:				
Current property tax	\$ 104,700	\$ 104,700	\$ 104,860	\$ 160
Total taxes	<u>104,700</u>	<u>104,700</u>	<u>104,860</u>	<u>160</u>
Intergovernmental:				
State revenue sharing:				
Constitutional & Statutory	<u>76,000</u>	<u>76,000</u>	<u>76,433</u>	<u>433</u>
Miscellaneous:				
Interest earnings	15,000	15,000	34,104	19,104
Miscellaneous	2,900	2,900	16,696	13,796
Rentals-Airport	2,000	2,000	6,200	4,200
Gasoline-Airport	<u>2,600</u>	<u>2,600</u>	<u>3,031</u>	<u>431</u>
Total miscellaneous	<u>22,500</u>	<u>22,500</u>	<u>60,031</u>	<u>37,531</u>
TOTAL REVENUE	<u>203,200</u>	<u>203,200</u>	<u>241,323</u>	<u>38,123</u>
EXPENDITURES:				
Township board:				
Salaries and wages	4,300	4,300	3,134	1,166
Taxes-FICA	500	500	246	254
Meetings and education	2,000	2,000	831	1,169
Mileage	400	400	132	268
Pension contribution	<u>300</u>	<u>300</u>	<u>379</u>	<u>(79)</u>
Total township board	<u>7,500</u>	<u>7,500</u>	<u>4,722</u>	<u>2,778</u>
Supervisor:				
Salaries and wages	6,975	6,975	6,179	796
Pension contribution	1,200	1,465	1,229	236
Meeting and education	2,000	2,000	355	1,645
Mileage	600	600	277	323
Miscellaneous	200	200	75	125
Assessment roll preparation	8,000	8,000	3,111	4,889
Professional Fees	<u>750</u>	<u>750</u>		<u>750</u>
Total supervisor	<u>19,725</u>	<u>19,990</u>	<u>11,226</u>	<u>8,764</u>
Elections:				
Salaries and wages	1,000	1,465	1,465	-
Supplies	500	500	45	455
Mileage	500	500	158	342
Repairs and maintenance	1,000	1,000		1,000
Miscellaneous	<u>750</u>	<u>750</u>		<u>750</u>
Total elections	<u>3,750</u>	<u>4,215</u>	<u>1,668</u>	<u>2,547</u>

(Continued)

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

EXPENDITURES: (CONTINUED)	BUDGET		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
Assessor:				
Salaries and wages	9,700	9,700	9,197	503
Miscellaneous	1,000	2,205	2,205	(0)
Total assessor	10,700	11,905	11,402	503
Clerk:				
Salaries and wages	9,700	9,700	8,374	1,326
Wages - Deputy clerk	1,500	1,500	1,116	384
Taxes - FICA	350	350		350
Pension contribution	2,000	2,472	704	1,768
Meetings and education	1,000	1,000		1,000
Pension administrative fees	1,000	1,000		1,000
Supplies	6,500	6,936	5,154	1,782
Professional fees	5,000	7,263	5,913	1,350
Dues and memberships	2,500	2,500	1,387	1,113
Telephone	4,000	4,000	3,564	436
Mileage	500	500		500
Printing and publishing	2,000	2,000	1,969	31
Insurance	22,000	22,000	15,515	6,485
Miscellaneous	3,500	3,500	934	2,566
Total clerk	61,550	64,721	44,630	20,091
Board of review:				
Salaries and wages	1,200	1,200	1,080	120
Miscellaneous	200	200	62	138
Education	250	250		250
Mileage	150	150		150
Supplies	50	50		50
Total board of review	1,850	1,850	1,142	708
Board of appeals:				
Salaries and wages	300	300	120	180
Miscellaneous	100	100		100
Mileage	100	100	26	74
Total board of appeals	500	500	146	354

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)				
Treasurer:				
Salaries and wages	12,200	12,200	10,748	1,452
Wages - Deputy treasurer	250	250	115	135
Taxes - FICA	50	50		50
Pension contribution	1,000	1,632	892	740
Meetings and education	1,200	1,200		1,200
Supplies	1,000	1,135	467	668
Mileage	250	250	53	197
Miscellaneous	1,500	1,500	64	1,436
Total treasurer	<u>17,450</u>	<u>18,217</u>	<u>12,339</u>	<u>5,878</u>
Township hall and grounds:				
Supplies	1,000	1,000	1,537	(537)
Utilities	10,000	10,000	10,598	(598)
Repairs and maintenance	7,500	7,500	653	6,847
Miscellaneous	1,000	1,000		1,000
Total township hall and grounds	<u>19,500</u>	<u>19,500</u>	<u>12,789</u>	<u>6,711</u>
Drains at large:				
Contracted services	<u>1,800</u>	<u>1,800</u>	<u>1,438</u>	<u>362</u>
Planning and zoning board:				
Salaries and wages	<u>8,000</u>	<u>24,938</u>	<u>13,338</u>	<u>11,600</u>
Airport:				
Gas and oil	4,000	5,742	5,742	(0)
Gas - mower	1,000	1,013	1,013	(0)
Telephone	600	600	367	233
Insurance	6,000	6,000	4,653	1,347
Utilities	2,000	2,000	1,286	714
Repairs and maintenance	2,500	2,974	2,162	812
Taxes-State sales	500	500	109	391
Miscellaneous	500	500	310	190
Total airport	<u>17,100</u>	<u>19,329</u>	<u>15,643</u>	<u>3,686</u>
Capital outlay:				
Clerk	7,500	7,500	2,567	4,933
Township hall and grounds	15,000	15,000	15,118	(118)
Airport	2,000	2,000	891	1,109
Total capital outlay	<u>24,500</u>	<u>24,500</u>	<u>18,576</u>	<u>5,924</u>
TOTAL EXPENDITURES	<u>193,925</u>	<u>218,965</u>	<u>149,061</u>	<u>69,904</u>

(Continued)

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>9,275</u>	<u>(15,765)</u>	<u>92,263</u>	<u>108,028</u>
OTHER FINANCING (USES):				
Operating transfers out	-	(200,000)	(200,000)	
Contribution to other governmental unit	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	
TOTAL OTHER FINANCING (USES)	<u>(5,000)</u>	<u>(205,000)</u>	<u>(205,000)</u>	<u>-</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER (USES)	<u>4,275</u>	<u>(220,765)</u>	<u>(112,737)</u>	<u>108,028</u>
FUND BALANCE-APRIL 1	722,433	722,433	722,433	
FUND BALANCE-MARCH 31	<u>\$ 726,708</u>	<u>\$ 501,668</u>	<u>\$ 609,696</u>	<u>\$ 108,028</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - EMERGENCY SERVICES FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUE:				
Taxes-Current property tax	\$ 80,500	\$ 80,500	\$ 80,831	\$ 331
Intergovernmental:				
Grants from county	3,600	3,600	3,600	-
Charges for services	75,000	75,000	72,515	(2,485)
Miscellaneous - Interest earnings			1,912	1,912
TOTAL REVENUE	<u>159,100</u>	<u>159,100</u>	<u>158,858</u>	<u>(242)</u>
EXPENDITURES:				
Ambulance :				
Salaries and wages	55,500	55,500	55,890	(390)
Taxes-FICA	1,000	1,000	1,007	(7)
Pension contribution	3,000	3,000	3,683	(683)
Supplies	9,000	9,000	9,141	(141)
Professional fees	850	850	625	225
Physicals and medical	200	200	30	170
Telephone	3,000	3,000	3,129	(129)
Insurance	7,000	7,000	6,966	34
Repairs and maintenance	3,000	3,000	2,719	281
Miscellaneous	1,900	1,900	585	1,315
Mileage	1,000	1,000	1,055	(55)
Education and training	4,000	4,000	3,747	253
Billing fee	10,000	10,000	7,018	2,982
Capital outlay	8,000	8,000	3,741	4,259
Total Ambulance	<u>107,450</u>	<u>107,450</u>	<u>99,336</u>	<u>8,114</u>
Fire Department:				
Salaries and wages	17,000	17,000	14,657	2,343
Taxes-FICA	2,000	2,000	1,120	880
Supplies	2,000	2,000	1,263	737
Professional fees	850	850	625	225
Telephone	750	1,000	937	63
Gas and oil	5,000	5,000	4,053	947
Insurance	15,000	15,000	15,543	(543)
Repairs and maintenance	5,000	5,000	6,226	(1,226)
Miscellaneous	500	500	-	500
Mileage	2,000	2,000	1,135	865
Dues and memberships	300	300	-	300
Physicals and medical	300	300	45	255
Education and training	2,000	2,000	1,333	667
Capital outlay	8,000	8,000	7,347	653
Total Fire Department	<u>60,700</u>	<u>60,950</u>	<u>54,285</u>	<u>6,665</u>
TOTAL EXPENDITURES	<u>168,150</u>	<u>168,400</u>	<u>153,621</u>	<u>14,779</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - EMERGENCY SERVICES FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(9,050)</u>	<u>(9,300)</u>	<u>5,236</u>	<u>14,536</u>
FUND BALANCE-APRIL 1	89,766	89,766	89,766	
FUND BALANCE-MARCH 31	<u>\$ 80,716</u>	<u>\$ 80,466</u>	<u>\$ 95,002</u>	<u>\$ 14,536</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes-Current property tax	\$ 40,400	\$ 40,400	\$ 40,636	\$ 236
Intergovernmental:				
State grant	3,200	3,200	3,548	348
Fines:				
Penal and book fines	14,500	14,500	15,440	940
Miscellaneous:				
Miscellaneous	2,500	2,500	3,090	590
Interest earnings	800	800	1,514	714
Contributions from private sources	5,000	5,000	14,661	9,661
Videos	6,500	6,500	8,332	1,832
Rent income - apartments	20,000	20,000	18,827	(1,173)
TOTAL REVENUE	<u>92,900</u>	<u>92,900</u>	<u>106,047</u>	<u>13,147</u>
EXPENDITURES:				
Salaries and wages	38,800	38,800	37,223	1,577
Employee benefits	13,200	13,200	13,775	(575)
Pension contribution	2,600	2,600	2,988	(388)
Supplies	3,000	3,000	2,900	100
Books, magazines and periodicals	8,950	8,950	9,135	(185)
Professional fees	1,350	1,350	1,350	-
Library participation fee	1,700	1,700	1,454	246
Telephone	700	700	712	(12)
Technology	800	800	2,175	(1,375)
Mileage	700	700	716	(16)
Insurance	4,200	4,200	4,067	133
Interest expense	500	500	-	500
Utilities	6,000	6,000	5,274	726
Repairs and maintenance	1,000	1,000	418	582
Miscellaneous	400	400	162	238
Capital outlay	1,000	1,000	9,935	(8,935)
Rental expenses-apartments	8,000	8,000	9,764	(1,764)
TOTAL EXPENDITURES	<u>92,900</u>	<u>92,900</u>	<u>102,048</u>	<u>(9,148)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>3,999</u>	<u>3,999</u>
FUND BALANCE-APRIL 1	60,278	60,278	60,278	
FUND BALANCE-MARCH 31	<u>\$ 60,278</u>	<u>\$ 60,278</u>	<u>\$ 64,277</u>	<u>\$ 3,999</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - FIRE EQUIPMENT SINKING FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes:				
Current property tax	\$ 20,200	\$ 20,200	\$ 20,297	\$ 97
Miscellaneous - Interest earnings			202	202
TOTAL REVENUE	<u>20,200</u>	<u>20,200</u>	<u>20,499</u>	<u>299</u>
EXPENDITURES:				
Professional fees	300	300	300	-
TOTAL EXPENDITURES	<u>300</u>	<u>300</u>	<u>300</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>19,900</u>	<u>19,900</u>	<u>20,199</u>	<u>299</u>
FUND BALANCE-APRIL 1	151,667	151,667	151,667	
FUND BALANCE-MARCH 31	<u>\$ 171,567</u>	<u>\$ 171,567</u>	<u>\$ 171,866</u>	<u>\$ 299</u>

TOWNSHIP OF SEBEWAING

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE-
BUDGET AND ACTUAL - ROAD FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	BUDGET			VARIANCE FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Taxes - Current property tax	\$ 324,500	\$ 324,500	\$ 325,632	\$ 1,132
Miscellaneous - Interest earnings	<u>16,300</u>	<u>16,300</u>	<u>3,689</u>	<u>(12,611)</u>
TOTAL REVENUE	<u>340,800</u>	<u>340,800</u>	<u>329,321</u>	<u>(11,479)</u>
EXPENDITURES:				
Professional fees	300	300	300	-
Road brining	7,500	7,500	13,675	(6,175)
Brush spraying	500	500		500
Contributions to County Road Commission	325,000	325,000	338,483	(13,483)
TOTAL EXPENDITURES	<u>333,300</u>	<u>333,300</u>	<u>352,458</u>	<u>(19,158)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>7,500</u>	<u>7,500</u>	<u>(23,138)</u>	<u>(30,638)</u>
OTHER FINANCING SOURCES:				
Operating transfer in		200,000	200,000	-
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>7,500</u>	<u>207,500</u>	<u>176,862</u>	<u>(30,638)</u>
FUND BALANCE-APRIL 1	111,578	111,578	111,578	
FUND BALANCE-MARCH 31	<u>\$ 119,078</u>	<u>\$ 319,078</u>	<u>\$ 288,440</u>	<u>\$ (30,638)</u>



Communication of Significant Deficiencies and Material Weaknesses

July 31, 2008

To the Board of Sebewaing Township,

In planning and performing our audit of the financial statements, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Sebewaing Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

During the audit, we noted that the bank statements for Sebewaing Township's various bank accounts were not reconciled to the general ledger on a timely basis. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the Township's procedures. We recommend that all of the bank accounts be reconciled to the general ledger monthly and that all unusual reconciling items be promptly investigated and adjusted with adequate explanations.

Due to the limited number of people employed at the Sebewaing Township Library, many critical duties are combined and given to the available employees. Presently, a single individual prepares and signs checks, reconciles bank accounts, as well as maintains the general ledger. Also, the same person responsible for cash disbursements is responsible for handling and depositing cash receipts as well as posting to the general ledger. Employees who have both custodial and record keeping responsibilities for the same asset, creates a significant internal control weakness. While we understand that a complete segregation of duties is impractical for a small township library with limited personnel, we believe that some relatively minor changes could be made which would significantly improve controls. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system possible. We suggest that the duties of cash disbursements and cash receipts are separated from the duties of the bank account reconciliation.

During our audit, we found a few instances where the Township was not in compliance with P.A. 2 regarding budget procedures. The Act provides that a local unit of government not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2008, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted.

In order to avoid incurring expenditures in excess of the appropriated amounts, the Act requires that the budget be amended when necessary. This would include reducing the budgeted amount if actual revenues are less than the estimated revenues originally budgeted, and increasing the budget to allow expenditures in excess of the original budget if excess amounts are available for transfer within the fund or if additional revenues become available. This can only be done if there are periodic comparisons between budget and actual figures throughout the year. We recommend that monthly comparisons be made between budgeted and year-to-date actual revenue and expenditures. If it appears there are going to be unfavorable variances between the budgeted and actual year-to-date figures, the budget should be amended to eliminate the variance.

While preparing the schedule of bank balances, we noted that there was a bank overdraft in the pooled funds account. We recommend better monitoring of the account balances, especially prior to preparing cash distributions. This would allow the Township's personnel sufficient time to transfer funds in order to avoid a bank overdraft along with the additional NSF charges.

During our walk-through of the Township's reporting systems, it came to our attention that although the board is required to approve all purchases over \$500, there was no documentation of the approved purchases. We recommend that any purchases the Board approves be recorded in the minutes, which will serve as a permanent record. Also during our walk-through of the payroll procedures, it was noted that there was no comparison of the employee's time sheets to the ambulance runs record. We recommend that a separate person recalculate and sign off on the time sheets to ensure that the runs are counted correctly and credited to the individual who made the run.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client we are auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes. We consider the following deficiencies to be significant deficiencies in internal control.

This year, as in the past, we assisted the accounting staff with the basic year-end bookkeeping and accounting procedures that are necessary to prepare the books for audit purposes. This also included the preparation of several material year end adjusting entries that were necessary to keep the financial statements from being materially misstated. With adequate training, the accounting staff should become familiar with the necessary procedures to complete the year-end accounting. We suggest that the Sebewaing Township provide its accounting staff with the necessary training to ensure they are able to efficiently prepare the year-end accounting for the audit.

The personnel of Sebewaing Township have the capability to perform monthly internal accounting functions and reports as required by management. The personnel of Sebewaing Township do not have the expertise to prepare the annual financial statements and related footnotes in accordance with the method of accounting utilized in the external audit report.

This communication is intended solely for the information and use of management, the Board of Sebewaing Township, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Nietzke & Faupel P.C.

Nietzke & Faupel, PC

July 31, 2008